

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Laurie Hempen	President	2015
Bob McPheron	Vice President	2013
Lindsay Porter	Board Member	2013
Dennis Carter	Board Member	2015
Travis Benz	Board Member	2015
<u>School Officials</u>		
Steve McAllister	Superintendent	2015
Jessica Boyer	District Secretary/Treasurer and Business Manager	2013
Ahlers and Cooney P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New London Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, New London Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2014 on our consideration of New London Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New London Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
January 7, 2014

Hunt & Associates, P.C.

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Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,439,365	\$ 129,937	\$ 2,569,302
Receivables:			
Property tax:			
Current year	20,418	-	20,418
Succeeding year	1,534,804	-	1,534,804
Income surtax	140,195	-	140,195
Due from other governments	403,738	-	403,738
Interfund balances (note 4)	(2,367)	2,367	-
Inventories	-	1,019	1,019
Prepaid expenses	80,602	-	80,602
Capital assets, net of accumulated depreciation (note 5)	6,595,567	77,870	6,673,437
Total assets	11,212,322	211,193	11,423,515
Liabilities			
Accounts payable	114,590	173	114,763
Salaries and benefits payable	483,664	6,082	489,746
Accrued interest payable	83,851	-	83,851
Deferred revenue:			
Succeeding year property tax	1,534,804	-	1,534,804
Other	-	2,964	2,964
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	170,000	-	170,000
Capital lease purchase agreement	74,338	-	74,338
Compensated absences	11,228	-	11,228
Portion due after one year:			
Bonds payable	3,995,000	-	3,995,000
Capital lease purchase agreement	156,063	-	156,063
Net OPEB liability	100,000	-	100,000
Total liabilities	6,723,538	9,219	6,732,757

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 2,430,567	\$ 77,870	\$ 2,508,437
Restricted for:			
Categorical funding (note 11)	68,070	-	68,070
Capital projects	387,006	-	387,006
Physical plant and equipment levy purposes	600	-	600
Debt service	524,439	-	524,439
Management levy purposes	15,314	-	15,314
Student activities	84,168	-	84,168
Public education and recreation levy purposes	183,405	-	183,405
Unrestricted	795,215	124,104	919,319
Total net position	\$ 4,488,784	\$ 201,974	\$ 4,690,758

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,133,562	\$ 636,966	\$ 599,529	\$ -
Support services:				
Student	88,028	-	11,676	-
Instructional staff	129,135	-	-	-
Administration	635,023	895	-	-
Operation and maintenance of plant	380,101	175	-	-
Transportation	255,721	34,237	707	-
	<u>1,488,008</u>	<u>35,307</u>	<u>12,383</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	42,874	-	-	74,968
Long-term debt interest and fiscal charges	169,013	-	-	-
AEA flowthrough	200,350	-	200,350	-
Depreciation (unallocated) *	173,105	-	-	-
	<u>585,342</u>	<u>-</u>	<u>200,350</u>	<u>74,968</u>
Total governmental activities	<u>6,206,912</u>	<u>672,273</u>	<u>812,262</u>	<u>74,968</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (2,897,067)	\$ -	\$ (2,897,067)
(76,352)	-	(76,352)
(129,135)	-	(129,135)
(634,128)	-	(634,128)
(379,926)	-	(379,926)
(220,777)	-	(220,777)
(1,440,318)	-	(1,440,318)
32,094	-	32,094
(169,013)	-	(169,013)
-	-	-
(173,105)	-	(173,105)
(310,024)	-	(310,024)
(4,647,409)	-	(4,647,409)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Operation and maintenance of plant services	\$ 2,046	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	229,259	89,241	125,885	41,440
Total business-type activities	231,305	89,241	125,885	41,440
Total	\$ 6,438,217	\$ 761,514	\$ 938,147	\$ 116,408

General revenues:

Property tax levied for:
 General purposes
 Public education and recreation
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (2,046)	\$ (2,046)
-	27,307	27,307
-	25,261	25,261
(4,647,409)	25,261	(4,622,148)
\$ 1,588,252	\$ -	\$ 1,588,252
13,270	-	13,270
98,302	-	98,302
146,401	-	146,401
432,032	-	432,032
2,523,058	-	2,523,058
6,193	2	6,195
29,560	-	29,560
4,837,068	2	4,837,070
189,659	25,263	214,922
4,299,125	176,711	4,475,836
<u>\$ 4,488,784</u>	<u>\$ 201,974</u>	<u>\$ 4,690,758</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,045,809	\$ 838,071	\$ 524,960	\$ 2,408,840
Receivables:				
Property tax:				
Current year	17,994	1,181	1,243	20,418
Succeeding year	1,339,731	61,216	133,857	1,534,804
Income surtax	140,195	-	-	140,195
Interfund receivable (note 4)	66,547	-	-	66,547
Due from other governments	262,485	141,253	-	403,738
Prepaid expenses	-	-	80,602	80,602
Total assets	<u>\$ 2,872,761</u>	<u>\$ 1,041,721</u>	<u>\$ 740,662</u>	<u>\$ 4,655,144</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 103,011	\$ 4,627	\$ 6,952	\$ 114,590
Salaries and benefits payable	483,664	-	-	483,664
Interfund payable (note 4)	2,367	-	66,547	68,914
Deferred revenue:				
Succeeding year property tax	1,339,731	61,216	133,857	1,534,804
Other	140,195	-	-	140,195
Total liabilities	<u>2,068,968</u>	<u>65,843</u>	<u>207,356</u>	<u>2,342,167</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	80,602	80,602
Restricted for:				
Categorical funding (note 11)	68,070	-	-	68,070
Revenue bond reserve	-	354,439	-	354,439
Revenue bond sinking fund	-	-	250,419	250,419
Student activities	-	-	84,168	84,168
Public education and recreation	-	-	183,405	183,405
School infrastructure	-	387,006	-	387,006
Physical plant and equipment	-	234,433	-	234,433
Unassigned	735,723	-	(65,288)	670,435
Total fund balances	<u>803,793</u>	<u>975,878</u>	<u>533,306</u>	<u>2,312,977</u>
Total liabilities and fund balances	<u>\$ 2,872,761</u>	<u>\$ 1,041,721</u>	<u>\$ 740,662</u>	<u>\$ 4,655,144</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 2,312,977
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,595,567
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	140,195
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net position of the Internal Service Fund is therefore included in governmental activities.	30,525
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(83,851)
Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,506,629)</u>
Net position of governmental activities	<u>\$ 4,488,784</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,641,793	\$ 571,679	\$ 103,411	\$ 2,316,883
Tuition	472,768	-	-	472,768
Other	149,695	5,679	141,757	297,131
Intermediate sources	10,000	-	-	10,000
State sources	3,106,888	80	85	3,107,053
Federal sources	182,752	50,000	-	232,752
Total revenues	5,563,896	627,438	245,253	6,436,587
Expenditures:				
Current:				
Instruction	3,895,045	39,315	158,395	4,092,755
Support services:				
Student	88,028	-	-	88,028
Instructional staff	121,229	4,659	-	125,888
Administration	536,817	7,310	93,629	637,756
Operation and maintenance of plant	366,873	20,015	-	386,888
Transportation	218,592	82,318	139	301,049
	1,331,539	114,302	93,768	1,539,609
Other expenditures:				
Facilities acquisition	-	1,177,552	-	1,177,552
Long term debt:				
Principal	-	-	191,980	191,980
Interest and fiscal charges	-	-	171,285	171,285
AEA flowthrough	200,350	-	-	200,350
	200,350	1,177,552	363,265	1,741,167
Total expenditures	5,426,934	1,331,169	615,428	7,373,531
Excess (deficiency) of revenues over (under) expenditures	136,962	(703,731)	(370,175)	(936,944)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ -	\$ -	\$ 412,065	\$ 412,065
Interfund transfers out (note 3)	-	(412,065)	-	(412,065)
Total other financing sources (uses)	-	(412,065)	412,065	-
Net change in fund balances	136,962	(1,115,796)	41,890	(936,944)
Fund balances beginning of year	666,831	2,091,674	491,416	3,249,921
Fund balances end of year	\$ <u>803,793</u>	\$ <u>975,878</u>	\$ <u>533,306</u>	\$ <u>2,312,977</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (936,944)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,265,019	
Depreciation expense	<u>(250,888)</u>	1,014,131

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (40,016)

The change in net position of the Internal Service Fund represents an under-charge to the governmental funds served. The expenses for governmental activities in the Statement of Activities are adjusted to reflect this amount. (12,474)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 191,980

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,272

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(3,290)	
Net OPEB liability	<u>(26,000)</u>	<u>(29,290)</u>

Change in net position of governmental activities \$ 189,659

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Current assets:		
Cash and cash equivalents	\$ 129,937	\$ 30,525
Interfund receivable (note 4)	2,367	-
Inventories	1,019	-
Total current assets	<u>133,323</u>	<u>30,525</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 5)	77,870	-
Total assets	<u>211,193</u>	<u>30,525</u>
Liabilities		
Current liabilities:		
Accounts payable	173	-
Salaries and benefits payable	6,082	-
Deferred revenue	2,964	-
Total current liabilities	<u>9,219</u>	<u>-</u>
Net Position		
Net investment in capital assets	77,870	-
Unrestricted	<u>124,104</u>	<u>30,525</u>
Total net position	<u>\$ 201,974</u>	<u>\$ 30,525</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 89,241	\$ 480,424
Operating expenses:		
Support services:		
Operation and maintenance of plant	2,046	-
Non-instructional programs	229,259	492,898
	<u>231,305</u>	<u>492,898</u>
Operating loss	(142,064)	(12,474)
Non-operating revenues:		
Interest on investments	2	-
Capital contributions	41,440	-
State sources	1,962	-
Federal sources	123,923	-
Total non-operating revenues	<u>167,327</u>	<u>-</u>
Change in net position	25,263	(12,474)
Net position beginning of year	<u>176,711</u>	<u>42,999</u>
Net position end of year	<u>\$ 201,974</u>	<u>\$ 30,525</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 89,028	\$ -
Cash received from miscellaneous operating activities	21	480,424
Cash payments to employees for services	(82,913)	-
Cash payments to suppliers for goods or services	<u>(123,586)</u>	<u>(492,898)</u>
Net cash used by operating activities	<u>(117,450)</u>	<u>(12,474)</u>
Cash flows from non-capital financing activities:		
State grants received	1,962	-
Federal grants received	<u>107,602</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>109,564</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(11,156)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2</u>	<u>-</u>
Net decrease in cash and cash equivalents	(19,040)	(12,474)
Cash and cash equivalents beginning of year	<u>148,977</u>	<u>42,999</u>
Cash and cash equivalents end of year	<u>\$ 129,937</u>	<u>\$ 30,525</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (142,064)	\$ (12,474)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	8,685	-
Commodities used	16,321	-
(Increase) in interfund receivable	(330)	-
(Increase) in inventories	(636)	-
Increase in accounts payable	173	-
Increase in salaries and benefits payable	263	-
Increase in deferred revenue	138	-
Net cash used by operating activities	<u>\$ (117,450)</u>	<u>\$ (12,474)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$16,321 of federal commodities and \$41,440 of equipment contributed from other funds.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>20,864</u>
Net position:	
Restricted for scholarships	\$ <u><u>20,864</u></u>
See notes to financial statements.	

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>87</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,500</u>
Change in net position	(1,413)
Net position beginning of year	<u>22,277</u>
Net position end of year	\$ <u><u>20,864</u></u>
See notes to financial statements.	

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of New London, Iowa, and agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits plan offered by the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for governmental activities in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>1,951,285</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>412,065</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Interfund Receivables and Payables

At June 30, 2013, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
Pooled cash balances:		
General	Special Revenue - Management Levy	\$ <u>66,547</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
Enterprise - School Nutrition	General	<u>2,367</u>
Total		\$ <u>68,914</u>

Pooled cash balances are temporary financing between funds which is necessary due to the timing of expected property tax revenues and the related insurance expenditures.

The other receivables balance is due to timing differences involved in reimbursements at year end.

The balances between governmental funds are not included on the District-wide Statement of Net Position. The balances between governmental and proprietary funds have been eliminated on the face of the District-wide Statement of Net Position.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	3,634,632	11,855	3,634,632	11,855
Total capital assets not being depreciated	<u>3,682,333</u>	<u>11,855</u>	<u>3,634,632</u>	<u>59,556</u>
Capital assets being depreciated:				
Buildings	3,167,376	4,704,698	-	7,872,074
Improvements other than buildings	222,546	9,315	-	231,861
Furniture and equipment	1,346,368	173,783	58,010	1,462,141
Total capital assets being depreciated	<u>4,736,290</u>	<u>4,887,796</u>	<u>58,010</u>	<u>9,566,076</u>
Less accumulated depreciation for:				
Buildings	1,749,295	148,683	-	1,897,978
Improvements other than buildings	188,874	2,866	-	191,740
Furniture and equipment	899,018	99,339	58,010	940,347
Total accumulated depreciation	<u>2,837,187</u>	<u>250,888</u>	<u>58,010</u>	<u>3,030,065</u>
Total capital assets being depreciated, net	<u>1,899,103</u>	<u>4,636,908</u>	<u>-</u>	<u>6,536,011</u>
Governmental activities capital assets, net	<u>\$ 5,581,436</u>	<u>\$ 4,648,763</u>	<u>\$ 3,634,632</u>	<u>\$ 6,595,567</u>
Business-type activities:				
Furniture and equipment	\$ 123,524	\$ 52,596	\$ 37,683	\$ 138,437
Less accumulated depreciation	<u>89,565</u>	<u>8,685</u>	<u>37,683</u>	<u>60,567</u>
Business-type activities capital assets, net	<u>\$ 33,959</u>	<u>\$ 43,911</u>	<u>\$ -</u>	<u>\$ 77,870</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 33,013
Support services:	
Instructional staff	1,786
Administration	1,672
Operation and maintenance of plant	4,322
Transportation	36,990
	<u>77,783</u>
Unallocated depreciation	<u>173,105</u>
Total depreciation expense - governmental activities	\$ <u>250,888</u>
Business-type activities:	
Food service operations	\$ <u>8,685</u>

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Revenue Bonds	Capital Lease Purchase Agreement	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 4,285,000	\$ 302,381	\$ 7,938	\$ 74,000	\$ 4,669,319
Additions	-	-	11,228	26,000	37,228
Reductions	120,000	71,980	7,938	-	199,918
Balance end of year	<u>\$ 4,165,000</u>	<u>\$ 230,401</u>	<u>\$ 11,228</u>	<u>\$ 100,000</u>	<u>\$ 4,506,629</u>
Due within one year	<u>\$ 170,000</u>	<u>\$ 74,338</u>	<u>\$ 11,228</u>	<u>\$ -</u>	<u>\$ 255,566</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 school infrastructure sales, service and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.00 %	\$ 170,000	\$ 159,137	\$ 329,137
2015	3.00	195,000	154,513	349,513
2016	3.00	200,000	148,587	348,587
2017	3.00	205,000	142,513	347,513
2018	4.00	215,000	135,137	350,137
2019	4.00	220,000	126,438	346,438
2020	4.00	225,000	117,537	342,537
2021	4.00	235,000	108,338	343,338
2022	4.00	240,000	98,837	338,837
2023	4.00	250,000	89,038	339,038
2024	4.00	255,000	78,937	333,937
2025	4.00	265,000	68,538	333,538
2026	4.10	275,000	57,600	332,600
2027	4.25	285,000	45,906	330,906
2028	4.25	295,000	33,581	328,581
2029	4.25	310,000	20,725	330,725
2030	4.35	325,000	7,069	332,069
		<u>\$ 4,165,000</u>	<u>\$ 1,592,431</u>	<u>\$ 5,757,431</u>

The District pledged future statewide sales and services tax revenues to repay the \$4,285,000 bonds issued in April 2011. The bonds were issued for the purpose of financing a portion of the costs of various school building improvements. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 75 to 80 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,757,431. For the current year principal of \$120,000 and interest of \$162,038 was paid on the bonds and total statewide sales and services tax revenues were \$432,032.

The resolution providing for the issuance of the school infrastructures sales, services and use tax revenue bonds includes the following provisions:

- (a) \$354,439 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- (b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the District entered into a capital lease purchase agreement for \$302,381 to purchase computers, computer equipment, and related maintenance agreements. The agreement provides for semi-annual payments of \$40,613.56 every July 15 and January 15 through January 15, 2016 and includes interest at 3.25%.

Details of the District's June 30, 2013 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 74,338	\$ 6,889	\$ 81,227
2015	76,774	4,453	81,227
2016	79,289	1,938	81,227
	<u>\$ 230,401</u>	<u>\$ 13,280</u>	<u>\$ 243,681</u>

Total payments on capital lease purchase agreements for the year ended June 30, 2013 were \$81,227.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 36 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 43,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(7,000)</u>
Annual OPEB cost	38,000
Contributions made	<u>(12,000)</u>
Increase in net OPEB obligation	26,000
Net OPEB obligation beginning of year	<u>74,000</u>
Net OPEB obligation end of year	<u><u>\$ 100,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$12,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 27,000	7.4%	\$ 48,000
2012	29,000	10.3%	74,000
2013	38,000	31.6%	100,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$236,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,123,000, and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2013, there were no trust fund assets.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$281,693, \$267,094, and \$219,869, respectively, equal to the required contributions for each year.

Note 9. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$200,350 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 40,951
Beginning teacher mentoring and induction	3,494
Teacher salary supplement	2,688
Market factor	4,076
Professional development for model core curriculum	14,927
Professional development	15
Market factor incentives	<u>1,919</u>
Total	<u>\$ 68,070</u>

Note 12. Contingency

The District has two ongoing lawsuits related to the same case. The District's insurance carrier is providing coverage for the lawsuits. The outcome of the case can not be determined at this time.

Note 13. Subsequent Event

In December 2013, the District issued \$515,000 of general obligation bonds. The bonds are payable on May 1, 2015 and May 1, 2016 with interest rates from 0.65% to 0.80%.

Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,086,782	\$ 130,683	\$ 3,217,465	\$ 3,224,659	\$ (7,194)
Intermediate sources	10,000	-	10,000	-	10,000
State sources	3,107,053	1,962	3,109,015	3,163,738	(54,723)
Federal sources	232,752	123,923	356,675	250,942	105,733
Total revenues	6,436,587	256,568	6,693,155	6,639,339	53,816
EXPENDITURES/EXPENSES:					
Instruction	4,092,755	-	4,092,755	4,217,037	124,282
Support services	1,539,609	2,046	1,541,655	1,481,979	(59,676)
Non-instructional programs	-	229,259	229,259	174,806	(54,453)
Other expenditures	1,741,167	-	1,741,167	1,873,206	132,039
Total expenditures/expenses	7,373,531	231,305	7,604,836	7,747,028	142,192
Excess (deficiency) of revenues over (under) expenditures/expenses	(936,944)	25,263	(911,681)	(1,107,689)	196,008
Balance beginning of year	3,249,921	176,711	3,426,632	2,380,672	1,045,960
Balance end of year	\$ 2,312,977	\$ 201,974	\$ 2,514,951	\$ 1,272,983	\$ 1,241,968

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 203	\$ 203	0.0%	\$ 2,208	9.2%
2011	July 1, 2009	-	202	202	0.0%	2,597	7.8%
2012	July 1, 2009	-	187	187	0.0%	1,999	9.4%
2013	July 1, 2012	-	236	236	0.0%	2,123	11.1%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 175	\$ 91,120	\$ 183,246	\$ 250,419	\$ 524,960
Receivables:					
Property tax:					
Current year	1,084	-	159	-	1,243
Succeeding year	120,000	-	13,857	-	133,857
Prepaid expenses	80,602	-	-	-	80,602
Total assets	\$ 201,861	\$ 91,120	\$ 197,262	\$ 250,419	\$ 740,662
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 6,952	\$ -	\$ -	\$ 6,952
Interfund payable	66,547	-	-	-	66,547
Deferred revenue:					
Succeeding year property tax	120,000	-	13,857	-	133,857
Total liabilities	186,547	6,952	13,857	-	207,356
Fund balances:					
Nonspendable:					
Prepaid expenses	80,602	-	-	-	80,602
Restricted for:					
Revenue bonds sinking fund	-	-	-	250,419	250,419
Student activities	-	84,168	-	-	84,168
Public education and recreation	-	-	183,405	-	183,405
Unassigned	(65,288)	-	-	-	(65,288)
Total fund balances	15,314	84,168	183,405	250,419	533,306
Total liabilities and fund balances	\$ 201,861	\$ 91,120	\$ 197,262	\$ 250,419	\$ 740,662

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 90,151	\$ -	\$ 13,260	\$ -	\$ 103,411
Other	2,217	118,006	21,534	-	141,757
State sources	74	-	11	-	85
Total revenues	<u>92,442</u>	<u>118,006</u>	<u>34,805</u>	<u>-</u>	<u>245,253</u>
Expenditures:					
Current:					
Instruction	16,400	141,995	-	-	158,395
Support services:					
Administration	93,629	-	-	-	93,629
Transportation	139	-	-	-	139
Other expenditures:					
Long term debt:					
Principal	-	-	-	191,980	191,980
Interest and fiscal charges	-	-	-	171,285	171,285
Total expenditures	<u>110,168</u>	<u>141,995</u>	<u>-</u>	<u>363,265</u>	<u>615,428</u>
Excess (deficiency) of revenues over (under) expenditures	(17,726)	(23,989)	34,805	(363,265)	(370,175)
Other financing sources:					
Interfund transfers in	-	-	-	412,065	412,065
Net change in fund balances	(17,726)	(23,989)	34,805	48,800	41,890
Fund balances beginning of year	<u>33,040</u>	<u>108,157</u>	<u>148,600</u>	<u>201,619</u>	<u>491,416</u>
Fund balances end of year	<u>\$ 15,314</u>	<u>\$ 84,168</u>	<u>\$ 183,405</u>	<u>\$ 250,419</u>	<u>\$ 533,306</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 604,819	\$ 233,252	\$ 838,071
Receivables:			
Property tax:			
Current year	-	1,181	1,181
Succeeding year	-	61,216	61,216
Due from other governments	141,253	-	141,253
Total assets	<u>\$ 746,072</u>	<u>\$ 295,649</u>	<u>\$ 1,041,721</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,627	\$ -	\$ 4,627
Deferred revenue:			
Succeeding year property tax	-	61,216	61,216
Total liabilities	<u>4,627</u>	<u>61,216</u>	<u>65,843</u>
Fund balances:			
Restricted for:			
Revenue bond reserve	354,439	-	354,439
School infrastructure	387,006	-	387,006
Physical plant and equipment	-	234,433	234,433
Total fund balances	<u>741,445</u>	<u>234,433</u>	<u>975,878</u>
Total liabilities and fund balances	<u>\$ 746,072</u>	<u>\$ 295,649</u>	<u>\$ 1,041,721</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 432,032	\$ 139,647	\$ 571,679
Other	5,095	584	5,679
State sources	-	80	80
Federal sources	50,000	-	50,000
Total revenues	<u>487,127</u>	<u>140,311</u>	<u>627,438</u>
Expenditures:			
Current:			
Instruction	39,315	-	39,315
Support services:			
Instructional staff	-	4,659	4,659
Administration	7,310	-	7,310
Operation and maintenance of plant	20,015	-	20,015
Transportation	82,318	-	82,318
Other expenditures:			
Facilities acquisition	1,177,552	-	1,177,552
Total expenditures	<u>1,326,510</u>	<u>4,659</u>	<u>1,331,169</u>
Excess (deficiency) of revenues over (under) expenditures	(839,383)	135,652	(703,731)
Other financing uses:			
Interfund transfers out	<u>(330,838)</u>	<u>(81,227)</u>	<u>(412,065)</u>
Net change in fund balances	(1,170,221)	54,425	(1,115,796)
Fund balances beginning of year	<u>1,911,666</u>	<u>180,008</u>	<u>2,091,674</u>
Fund balances end of year	<u>\$ 741,445</u>	<u>\$ 234,433</u>	<u>\$ 975,878</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 15,855	\$ 47,238	\$ 62,568	\$ 525
Classes of 2011-2016	2,127	2,838	2,784	2,181
Masqued Tigers	4,216	827	1,622	3,421
Instrumental Music	573	2,247	1,986	834
Student Council	5,304	5,277	5,039	5,542
Elementary Student Advisory Council	9,545	5,125	5,716	8,954
Elementary Science Fair	1,500	500	218	1,782
Yearbook	3,876	6,149	3,438	6,587
Middle School Student Council	4,216	2,666	3,944	2,938
High School Cheerleaders	3,490	4,229	5,156	2,563
Vocal Music:				
High School	1,433	1,615	1,952	1,096
Middle School	112	-	112	-
New London Tigerettes	6,950	1,631	925	7,656
Interest on Investments	3,285	77	-	3,362
Sixth Grade Projects	6,357	2,860	2,089	7,128
Playground	746	-	-	746
Boys Basketball	5,940	6,801	9,406	3,335
Middle School Volleyball	250	186	186	250
Tiger Football	3,444	9,712	12,994	162
Tiger Wrestling	1,717	3,802	4,193	1,326
Tiger Girls Basketball	11,884	2,520	4,986	9,418
Burkhart Girls Basketball	415	-	415	-
Tiger Volleyball	513	5,489	4,593	1,409
Tiger Softball	6,040	2,076	3,459	4,657
Tiger Baseball	3,688	1,910	1,499	4,099
MS Boys Baseball	34	180	200	14
Jump Rope for Heart	925	-	369	556
Boys Track	1,102	391	957	536
High School Boys Golf	951	250	90	1,111
Middle School Softball	686	345	272	759
High School Girls Golf	614	1,065	827	852
Clark Cards	369	-	-	369
	<u>\$ 108,157</u>	<u>\$ 118,006</u>	<u>\$ 141,995</u>	<u>\$ 84,168</u>

See accompanying independent auditor's report.

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NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 2,316,883	\$ 2,135,902	\$ 2,060,922	\$ 1,864,615
Tuition	472,768	532,166	356,282	311,495
Other	297,131	299,149	263,928	277,414
Intermediate sources	10,000	-	-	-
State sources	3,107,053	3,361,588	3,035,948	2,807,933
Federal sources	232,752	772,125	310,036	552,407
Total revenues	<u>\$ 6,436,587</u>	<u>\$ 7,100,930</u>	<u>\$ 6,027,116</u>	<u>\$ 5,813,864</u>
Expenditures:				
Instruction	\$ 4,092,755	\$ 4,371,420	\$ 3,929,750	\$ 3,985,085
Support services:				
Student	88,028	85,222	89,736	57,839
Instructional staff	125,888	155,995	260,936	129,400
Administration	637,756	573,873	532,545	540,313
Operation and maintenance of plant	386,888	331,006	348,020	340,327
Transportation	301,049	222,375	205,972	236,753
Other expenditures:				
Facilities acquisition	1,177,552	3,056,404	710,188	243,862
Long-term debt:				
Principal	191,980	-	-	-
Interest and fiscal charges	171,285	122,428	89,415	-
AEA flowthrough	200,350	202,238	220,536	219,068
Total expenditures	<u>\$ 7,373,531</u>	<u>\$ 9,120,961</u>	<u>\$ 6,387,098</u>	<u>\$ 5,752,647</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	1,804,112	\$ 1,707,429	\$ 1,656,080	\$ 1,591,318	\$ 1,327,471
	303,108	260,611	170,869	192,869	197,809
	376,144	441,751	331,331	306,179	201,871
	176	-	-	-	-
	3,274,593	3,085,211	2,751,262	2,712,146	2,369,276
	203,607	237,343	220,729	124,892	194,018
\$	<u>5,961,740</u>	<u>5,732,345</u>	<u>5,130,271</u>	<u>4,927,404</u>	<u>4,290,445</u>
\$	3,885,220	\$ 3,726,013	\$ 3,388,690	\$ 3,298,584	\$ 3,139,664
	111,955	110,834	101,376	97,041	85,562
	106,071	114,442	110,957	72,122	173,748
	556,546	594,899	513,020	487,501	466,970
	386,326	383,841	419,060	457,882	394,744
	271,055	264,996	216,290	185,782	239,801
	211,095	290,731	461,344	178,013	3,662
	-	-	-	-	-
	-	-	-	-	-
	201,220	185,711	168,638	164,835	154,091
\$	<u>5,729,488</u>	<u>5,671,467</u>	<u>5,379,375</u>	<u>4,941,760</u>	<u>4,658,242</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
New London Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New London Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New London Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13, I-B-13 and I-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-13 and I-E-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New London Community School District's Responses to Findings

New London Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. New London Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 7, 2014

Hunt & Associates, P.C.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account but the differences were not investigated and corrected. This leads to posting errors remaining undetected and many unrecorded transactions. We noted \$90,927 of outstanding items that were not included on the June bank reconciliation and deposits in transit were overstated by \$10,920. We also noted \$311,437 of unrecorded expenditures, \$51,474 of unrecorded receipts, and a final unreconciled difference of \$1,361. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

I-B-13 Financial Reporting – During the audit, we identified material amounts of expenditures and School Nutrition Fund capital assets additions and depreciation expense not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all expenditures and capital asset transactions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any expenditures or capital asset transactions.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-C-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

- I-D-13 School Nutrition Fund Accounts – The District records meal revenues as lunch revenue only and does not break out the breakfast, adult or ala carte revenues as required by Iowa Department of Education guidelines.

Recommendation – On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category i.e. adult lunches, breakfast, student lunches, and ala carte.

Response – We will record the meal deposits as deferred revenue and record the revenue in the applicable meal revenue category as meals are served each month beginning in fiscal year 2014.

Conclusion – Response accepted.

- I-E-13 Check Written and Held – We noted in our testing of the year end bank reconciliation that one Capital Projects Fund check for \$7,280 was written in February 2013 but not redeemed for several months. Upon inquiry regarding the delay in redemption, we noted that the disbursement was made in February but the check was not released by the District to the vendor until August due to delays in the satisfactory completion of the project.

Recommendation – Writing and holding checks bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the District at any given time any checks are written and held. The District should avoid the practice by developing guidelines for disbursements that prevent writing and holding checks. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of checks.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the support services and non-instructional programs functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McPheron Spouse of Board Member	Substitute teacher wages	\$7,050
Greg Lerdal, Golf Coach Owner of Deerwood Golf	Golf fees/supplies	\$1,820
Ron Boyer, Spouse of Board Secretary Owner of Boyer’s Home Improvement	Maintenance work	\$3,850
Josten Boyer, Daughter of Board Secretary	Cleaning	\$88

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent any conflict of interest.

- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,911,666
Revenues:			
Sales tax revenues	\$	432,032	
Interest		95	
Other local revenues		5,000	
Federal grants		<u>50,000</u>	487,127
Expenditures/transfers out:			
School infrastructure construction		1,152,622	
Equipment		158,878	
Other		15,010	
Transfers to other funds:			
Debt Service Fund		<u>330,838</u>	<u>1,657,348</u>
Ending balance		\$	<u><u>741,445</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-13 Interfund Loans – We noted during our audit that the District had an implicit interfund loan between the Special Revenue, Management Levy Fund and the General Fund to cover the negative cash balance in the Management Levy Fund.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State, interfund loans must be approved by Board resolution, include interest on the unpaid balance and be repaid by October 1 of the following year.

Recommendation – The negative cash balance in the Management Levy Fund should have been covered by an interfund loan approved by the Board including the interest rate and repayments plan.

Response – In the future, we will follow the Iowa Department of Education’s declaratory order for interfund loans when applicable.

Conclusion – Response accepted.